

Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

courage is contagious

Viewing cable 09ABUJA259, C) NIGERIA: SHELL BRIEFS AMBASSADOR ON OIL GAS ISSUES,

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags #cablegate and a hash containing the reference ID e.g. #**09ABUJA259**.

Reference ID	Created	Released	Classification	Origin
09ABUJA259	2009-02-10 16:10	2011-08-30 01:44	SECRET//NOFORN	Embassy Abuja

Appears in these articles:

<http://www.spiegel.de>

VZCZCXRO7442
OO RUEHPA
DE RUEHUJA #0259/01 0411610
ZNY SSSSS ZZH
O 101610Z FEB 09
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5253
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHOS/AMCONSUL LAGOS 0802
RHEBAAA/DEPT OF ENERGY WASHDC

S E C R E T SECTION 01 OF 03 ABUJA 000259

NOFORN
SIPDIS

STATE PASS USTR FOR AGAMA
USDOE FOR GEORGE PERSON AND CHAYLOCK

E.O. 12958: DECL: 10/02/2028
TAGS: [EPET](#) [ENRG](#) [ELAB](#) [PINR](#) [ECON](#) [SENV](#) [PGOV](#) [NI](#)
SUBJECT: (C) NIGERIA: SHELL BRIEFS AMBASSADOR ON OIL GAS ISSUES,
COMMENTS ON PRESIDENT'S HEALTH AND HIGH-LEVEL CORRUPTION

REF: ABUJA 203

Classified By: Ambassador Robin R. Sanders for reasons 1.4. (b)

& d).

¶11. (S/NF) SUMMARY: Shell's regional executive vice president for Africa Ann Pickard and government relations representative Peter Francis met with the Ambassador on January 27 in Abuja and provided an update on problems in the oil and gas sector. Pickard said that things were going from bad to worse, especially the security situation. She said that Nigeria now had one of the highest negative ratings for maritime operations, creating problems for Shell in hiring oil tankers to load, as tanker operators will work only under highly selective conditions. Last year there were about 80 piracy attacks on land and water combined. This year already 15 have been tallied, which includes 3 for Shell and 3 for Exxon. On corruption, Pickard said that Nigerian entities control the lifting of many oil cargoes and there are some "very interesting" people lifting oil. Oil buyers would pay NNPC GMD Yar'Adua, Chief Economic Advisor Yakubu and the First Lady Turai Yar'Adua large bribes to lift oil. Pickard also reported an instance of the Attorney General Aondoakaa allegedly soliciting a \$20 million bribe to sign a document. The International Oil Companies (IOC) are quite concerned about the "very flawed" new petroleum sector energy bill. The IOCs will be asking U.S., Dutch, and U.K. COMs to convey points on the bill to GON policymakers. Pickard agreed that the President's health is a guessing game. She said that in her recent meetings with Yar'Auda he seems alert, though very drawn in the face, thin, and frail. Her information is that the President was not in danger of dying soon, but also was unlikely to ever fully recover from his ailments. (Note: see septel on oil/energy sector issues for the Ambassador's meeting with the new Minister of Petroleum Resources. End Note). END SUMMARY.

¶12. (C) Shell's regional executive vice president for Africa Ann Pickard and government relations representative Peter Francis met with the Ambassador on January 27, 2009 in Abuja and provided an update on problems in the oil and gas sector. Pickard reported that Shell's meeting with Minister of Petroleum Resources Dr. Rilwanu Lukman scheduled for earlier that day had been cancelled; the third week in a row where key appointments had fallen through, with the excuse of being summoned to the Presidential Villa. (Note: Emboffs have observed that meetings with ministers and senior staff are indeed often cancelled with the explanation that they have been summoned to the Presidential Villa, even when the President is out of town. End note). Econ Counselor and Econoff (notetaker) also attended the discussion.

- - - - -
from bad to worse
- - - - -

¶13. (C) The Ambassador took the opportunity to share with Pickard that the Mission was in the midst of completing its Strategic Plan and asked Pickard where she thought Nigeria was headed. Pickard said that things were going from bad to worse, especially in terms of security. She said that Nigeria now had the highest negative rating for maritime security, creating problems for Shell in hiring oil tankers to load; tankers will work only under highly selective conditions. She also noted that late on the evening of Saturday January 17, Nigerian militants attacked and boarded two vessels at a Shell crude oil loading platform in Bonny and took eight crew members hostage. Standard procedure on the tanker was followed: the ship went into immediate lock down; there were no injuries or fatalities from the boarding. The eight Nigerian crew members who were taken hostage were later released. The pirates who went through the sections of the boat to which they were able to gain access, smashing and stealing computers, electronics, and personal items of the crew members. The second vessel was a tug boat towing a supply vessel from Bonny to Calabar. Last year there were about 80 incidents of piracy; this year already 15 had been tallied, which includes 3 for Shell and 3 for Exxon. GON officials have told Shell to "hire more security." The price of doing business in the oil and gas sector in Nigeria continues to climb she concluded. [Note: The International Maritime Bureau (IMB), a division of the International Chamber of Commerce - www.icc-ccs.org - reports that the waters off the Gulf of Guinea (Nigeria) remain the second worst, with 40 incidents in 2008 to the Horn of Africa (Somalia) with 42 recorded incidents. The IMB notes that in 2009 the Horn of Africa will be more intense as Spring comes due to the large number of foreign warships in the region on active patrol to ensure the safety and security of vessels. The same increased security is not expected for Nigeria in 2009. End Note]

- - - - -
shell believes coup unlikely; corruption worsening
- - - - -

Abuja 00000259 002 of 003

14. (S/NF) The Ambassador asked what Shell's thoughts were on any potential for a coup. Pickard answered that there is little intellectual capital to plan and execute a coup and Shell sees little potential for one. Pickard then went on to say that corruption in the oil sector was worsening by the day. The Ambassador asked for a few examples. Pickard said that Nigerian entities control the lifting of many oil cargoes and there are some "very interesting" people lifting oil (People, she said that were not even in the industry). As an example she said that oil buyers would pay Nigerian National Petroleum Corporation (NNPC) General Managing Director Yar'Adua, (Note: not related to President Yar'Adua. End Note) Chief Economic Advisor Yakubu, and the First Lady Turai Yar'Adua large bribes, millions of dollars per tanker, to lift oil. The IOCs control the liquefied petroleum gas (LPG) cargos, so GON actors do not have the same opportunity for illicit gain. Pickard also said xxxxxxxxxxxx Attorney General Aondoakaa had told a visitor that he would sign a document only if the visitor paid \$2 million immediately and another \$18 million the next day.

- - - - -
very bad bill
- - - - -

15. (C) Pickard reported that Shell, Exxon-Mobil and Chevron all have big license review disputes with the GON. Shell has taken its dispute to court and the court is supporting Shell's position. According to her, Shell is stepping back for the moment, however, to see how the other two majors negotiation fair, but is not taking its case out of court yet. The IOCs are quite concerned about the "very flawed" new petroleum sector energy bill. The bill is silent on what fiscal regimes would be applied. Shell says that the bill could reduce the corporation's overall value in Nigeria. GON discussions around the bill have mentioned the possibility of moving to five-year licenses and prohibiting exploring both oil and gas from the same source, which would contradict how oil and gas extraction works in practice. The bill is silent on joint ventures; it just states that NNPC will be incorporated. Pickard said the bill was "likely to sail through." The IOCs will be asking U.S., Dutch and U.K. COMs to convey points on the bill to GON policymakers. (Note: Pickard mentioned that the IOCs will not share company information directly; they will hire consultants, like McKinsey, to produce common themes so the messages from the IOCs to be shared with the relevant Ambassadors are clear and consistent. End note). Pickard lamented that the expected cycle of petroleum is at least five years for the first oil to flow, another 10 years of production to begin to break even. These numbers change when oil is \$40 per barrel instead of \$100 per barrel. Hence, a five year license would not be an incentive for investment and development.

- - - - -
gas issues
- - - - -

16. (C) The Ambassador said that the Mission was looking at performance measures for the economy, i.e. the linkage between the country's electricity output and gross domestic product (GDP). The Ambassador shared that the Mission feels strongly that gas for feedstock is the key to Nigeria's power production, which is only about 2,800 average megawatts for a country of 140 million people. Pickard agreed and added that the U.S. got it wrong on its domestic natural gas policies, which it took over 20 years to sort out. So it is not surprising that Nigeria has it wrong at this point. She said there is not adequate infrastructure for gas. Gathering plants and pipelines to carry the product to the power plants still have to be financed and built. The Nigeria Independent Power Projects (NIPP) were located where there is no gas and no infrastructure. In addition, the international oil companies were coerced into building a power plant each, something they have no expertise in, and they are scrambling to deliver gas to these plants.

- - - - -
yar'auda vacation is perhaps something else
- - - - -

¶7. (S/NF) Pickard agreed that the President's health is a guessing game. She said that in her recent meetings with Yar'Auda he seems alert but drawn in the face and frail. She reported that a xxxxxxxxxxxxxxx contact says that the President was not in danger of dying soon but has serious ailments from which he will never fully recover. Pickard shared that Berger provides transportation including planes for the President and has reportedly flown in doctors and technicians to attend the President (reftel). She said, for instance, that xxxxxxxxxxxxxxx confided that they flew the President from Germany to Saudi in September 2008. Additionally, the Berger contact thought the President would not return to the Villa

Abuja 00000259 003 of 003

offices, as they were moving the President's personal things out of the Villa. (Note: What we think this means is that Yar'Adua is spending most of his time in the presidential residence and not in the Villa offices. End Note).

- - - - -
hopes that oil nationalism can be tempered
- - - - -

¶8. (C) The Ambassador asked how comfortable Shell was with the new appointment of Dr. Rilwanu Lukman as Minister of Petroleum Resources, and the appointment of Mohammad Sanusi Barkindo as the new NNPC GMD. Pickard sees the nationalism card cooling with the removal of former NNPC GMD Yar'Adua, given that new Minister of Petroleum Lukman is more "pragmatic" and will hold sway over deputy Minister Ajumogobia. (Note: Ajumogobia's technical assistant told EconOff in a meeting on January 14, 2009 that the State Minister was focusing on Gas, since before the mass cabinet change he was State Minster of Petroleum, with a separate State Minster for Gas.) End Note. She said she was also okay with NNPC chief Barkindo. She has worked with Barkindo several times over the past few decades, especially when they were both working climate change. She said Barkindo led Nigeria's technical delegation to climate change negotiations that produced the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto protocol to UNFCCC during while he served on its Bureau at various times. She indicated that although his undergraduate studies were in political science, he obtained his MBA from Southeastern University in Washington DC and did postgraduate work in petroleum economics and management at Oxford University. Although she also said terms like nationalistic and Chavez she however said that she thought he could be steered in the right direction on the petroleum sector.

- - -
comment
- - -

¶9. (C) Although Pickard clearly seems frustrated with the way things are going in the maritime security, oil sector legislation, and corruption which affects Shell's bottom line, it was useful to hear that she has hopes for the new Petroleum Minister and NNPC chief. Septel on the Ambassador's meeting with new Petroleum Minister Lukman will address many of these same issues.

¶10. (U) This cable was coordinated with Consulate Lagos.

Sanders